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Overview of economic and social conditions in Africa, 2011

Summary

African economies continued to recover from the financial and economic crisis with a growth in gross domestic product of 4.7 per cent in 2010, up from 2.3 per cent in 2009. Key growth factors in Africa included rising commodity prices and exports, sustained countercyclical fiscal and monetary policies and increasing domestic demand in many countries, increased foreign direct investment in extractive industries and aid flows, and more diversified exports, including manufactures, trade services and tourism. Growth performance continued to vary considerably across subregions and countries, with oil-exporting countries growing at 5.2 per cent in 2010 compared with 4.0 per cent for oil-importing countries. While both fiscal and current account deficits widened in 2010, generally macroeconomic balances remained within sustainable levels and inflation rates declined in most African countries and for the continent as a whole. The continent's growth prospects are likely to be significantly affected by the ongoing political unrest in North Africa and other subregions. Thus, Africa's growth rate in 2011 is likely to fall considerably short of the 5.1 per cent forecast at the beginning of the year. Meanwhile, growth has been largely jobless and progress towards reducing poverty and achieving other Millennium Development Goal targets remains slow, especially in sub-Saharan Africa.

* See E/2011/1.

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I. Introduction

1. Africa has sustained and strengthened the economic recovery that started in the aftermath of the recent global crisis with an average gross domestic product (GDP) growth rate of 4.7 per cent in 2010 compared with 2.3 per cent in 2009. Real GDP per capita also expanded in 2010 by 2.4 per cent for the continent as a whole. The economies of oil-exporting countries expanded more strongly than those of oil-importing countries. Notwithstanding downside risks, growth prospects remain optimistic for Africa, with an expected average growth rate of 5 per cent in 2011.

2. The recovery was underpinned by a number of positive factors, including the rebound of export demand and commodity prices; increased inflows of foreign direct investment (FDI), especially in extractive industries and aid; a return of tourism; investment in infrastructure associated with countercyclical policies adopted by many African countries; increased activities in the service sector, particularly in telecommunications; higher consumer demand; and good harvests in some countries. The two distinguishing features of the ongoing recovery as opposed to previous upturns have been its swiftness and remarkable strength.

3. While notable variations exist across countries, inflation rates have generally declined in 2010. Accordingly, monetary policy has been accommodative or neutral in most African countries. Budget deficits increased as a result of expansionary fiscal policies, prompting some countries to tighten fiscal policy and consolidate their budgets. Current account deficits widened moderately in 2010, partly owing to the robust import growth fuelled by bold public investment, rising private demand and increasing food and energy prices.

4. The continent's economic rebound has yet to translate into meaningful reduction in unemployment, which continues to be high, particularly among young people and vulnerable groups. High unemployment and food prices have instigated political and social unrest in some African countries such as Algeria and Tunisia. The low employment content and poor social outcomes of Africa's growth are the result of a lack of meaningful economic diversification and continued heavy dependence on commodity production and exports. This highlights the need for promoting economic transformation for Africa to accelerate and sustain growth and achieve its social development goals.

II. Developments in the global economy and implications for Africa

5. Following the global financial and economic crisis, the world economy demonstrated signs of recovery in the first half of 2010. Such signs weakened somewhat in the second half of 2010. Growth divergences continued to persist in 2010, particularly between the developed economies on the one hand and developing and emerging countries on the other. According to the International Monetary Fund (IMF), growth in developed economies, in particular the United States of America, European Union countries, Australia and Japan, remained sluggish. Unsustainable budget deficits and weakened fiscal positions caused by the bail outs of financial institutions led to a severe sovereign debt crisis in the European Union in 2010.

6. Some European countries responded to this sovereign debt crisis by adopting stringent fiscal consolidation measures, which partly consisted of cutting back on public spending. Fiscal consolidation took away many public-service sector employment opportunities, worsening the already high unemployment rate, and acted as a drag to economic growth in the Euro area and the global economy. Developing and emerging economies, especially China and India, rebounded strongly. Their growth is also expected to slow in 2011 however.

7. Developed economies saw a decrease in trade deficits from 2008 and 2009. This was driven by the fact that imports contracted more significantly than exports. It is estimated by IMF that the ratio of current account balances to GDP for developed economies will remain relatively stable, with a surplus of 0.3 per cent in 2010 and 0.1 per cent in 2011. These developments conceal some differences across this group of countries.

8. The trade deficit in the United States stood at 3.2 per cent in 2010 but is expected to decline to 2.6 per cent in 2011. This partly reflects weak household spending. Owing to economic uncertainty and deteriorated balance sheets, households in the United States are cutting their spending, which could reduce the trade deficit. The current account of the Euro area, as a whole, will be nearly balanced in 2010 and 2011, with diverse records within the area. Germany continues to run a considerable current account surplus, while Greece and Portugal, which were at the centre of the Euro area sovereign debt crisis, recorded double-digit deficits in 2010.

9. Current account balances in emerging and developing countries worsened in 2010. The same is expected in 2011, due partly to the high growth of imports fuelled by the fiscal stimuli implemented in these countries. There are, however, some exceptions. China recorded a current account surplus of 4.7 per cent of GDP in 2010. This surplus is expected to widen to 5.1 per cent in 2011, although its size will continue to be lower than the double-digit levels recorded before the economic and financial crisis.

10. During the global financial crisis, decreased demand from developed economies caused the commodity price index to drop by 56 per cent from its highest point in July 2008. A rebound in commodity price indices began in February 2009. By the end of September 2010, the index had recovered by nearly 53 per cent from its lowest point in 2009, thanks to increased demand from rapidly growing emerging and developing economies.

11. Most commodity prices increased in 2010, but the variations and sensitivity to economic shocks varied across commodities. Food prices have been the most stable, whereas metal prices had the largest fluctuation, followed by energy. Oil prices are highly correlated with the prices of other commodities. With oil prices rising steadily, African oil-exporting countries are expected to enjoy a firm and steady economic recovery in 2011.

12. Developments in the global economy have significant implications for African countries generally, although the specifics in terms of the direction and magnitude of impact naturally vary across countries. Higher commodity demand and prices spurred rapid growth in Africa's exports and output in 2010. However, the continent's narrow production and export structures are likely to maintain their historical vulnerability to external shocks.

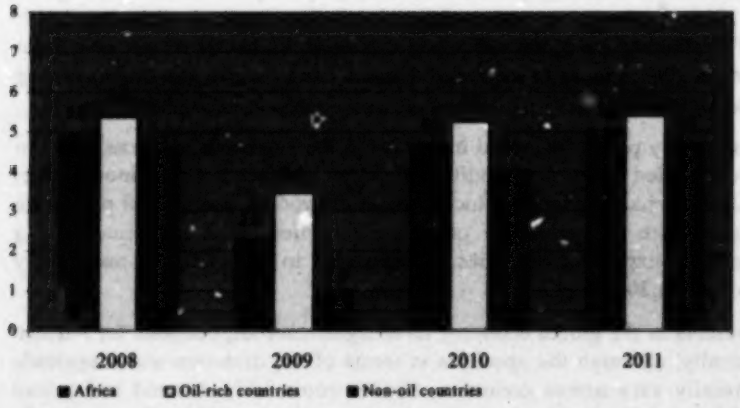
13. The nominal increase in commodity prices has led to an improvement in the terms of trade as well as external balances for many African commodity-exporting countries in 2010. Most oil exporters on the continent are expected to continue running current account surpluses in 2011. By comparison, Africa's oil-importing countries will see the state of their current account balances worsen. Rising grain prices will also pose daunting challenges to efforts to eradicate hunger, especially in low-income African countries that are heavily dependent on food imports.

14. The flow of remittances to Africa did not drop as much as expected but its projected growth of 5 per cent over the period 2010-2011 is much lower than the pre-crisis growth rates. Similarly, official development assistance (ODA) to Africa might decline owing to difficult economic conditions in some donor countries, with significant negative consequences for Government spending in many African countries in 2011 and beyond.

III. Economic performance in Africa in 2010

15. Economic activity rebounded across Africa in 2010. While most economies regained some of the dynamism lost in 2009, the pace of the recovery varied across countries and subregions. Oil-exporting countries expanded more strongly (5.4 per cent) than oil-importing countries (3.9 per cent) perpetuating the trend of the last decade (see figure I). One important feature of growth in oil-exporting countries is the growing prominence of the non-oil sector, with a sustained increasing share in GDP growth over the past few years. The strength of the non-oil sector reflects ongoing efforts in the oil-exporting countries to diversify their economies. In fact, rapid growth in the non-oil and non-mineral sector has been registered by both oil-producing and non-oil-producing countries and if this is sustained, Africa is poised to become the fastest-growing continent in the second decade of the twenty-first century.

Figure I
Growth in Africa, oil-exporting vs. oil-importing countries, 2008-2010
(Per cent)



Source: Economic Commission for Africa (ECA) calculations based on ECA and Department of Economic and Social Affairs databases, November 2010.

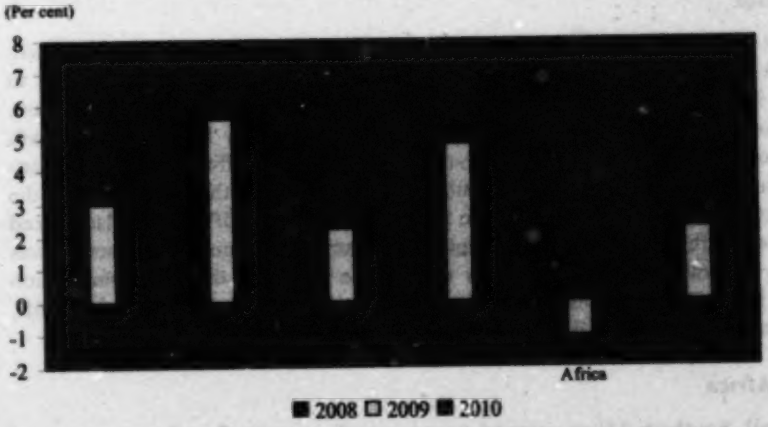
16. Africa's recovery is also associated with a notable increase in private capital flows. FDI rebounded as a result of growing interest in the mineral sector along with foreign investment in services and manufacturing sectors. Remittances continued to represent the second most important source of capital flows to Africa after FDI, amounting to about 7 per cent of Africa's GDP in 2010. Aid flows to Africa grew by 4 per cent in 2010 despite economic difficulties faced by many donor countries, while some African countries continued to benefit from debt relief.

17. Many African countries maintained expansionary fiscal and monetary policies in 2010 with sound and sustainable internal and external balances. This reflected continued good economic management on the continent. Improved macroeconomic management, including exchange rate management and budgetary allocations, was among the factors that assisted many African countries, including some countries with relatively limited natural resources, to achieve and sustain high growth with notable diversification of production and exports over the past decade.

18. Overall, export diversification covered both traditional and non-traditional products such as flowers, manufactures, trade services and tourism. Africa was the only world region to achieve a tourist growth rate of 9 per cent in 2010 thanks partly to the momentum created by the worldwide publicity of the 2010 football World Cup in South Africa, and economic recovery in tourist-sending countries. The outlook for 2011 tourism growth is expected to be positive.

19. In addition to differences between oil-exporting and oil-importing countries, Africa's aggregate GDP growth figures hide important variations across subregions and countries. Among the five subregions of Africa, East Africa (6.8 per cent) and West Africa (6 per cent) were the two best performing in 2010, followed by North Africa (4.7 per cent), the main oil-producing subregion, Central Africa (4.3 per cent) and Southern Africa (3.3 per cent) (see figure II).

Figure II
Subregional growth performance, 2008-2010



Source: ECA calculations based on ECA and Department of Economic and Social Affairs databases, November 2010.

West Africa

20. Economic performance improved in most West African countries in 2010. Important growth factors included high oil prices and revenue as well as increased non-oil activity (Nigeria), increased activity in the construction and services sector (Ghana), strong performance of the agricultural and mining sectors (Sierra Leone) and increased rubber export earnings (Liberia). Guinea and the Niger recorded positive GDP growth rates and posted positive rates in 2010.

21. However, their growth turned out to be weak in view of continued political disturbances and insecurity that limited opportunities for a significant economic rebound. In 2010, GDP growth slowed down in the second largest economy in the subregion, Côte d'Ivoire, partly owing to power shortages and the political uncertainty that prevailed in the country before and after elections in November. The dispute over the presidential election results and its political and security repercussions are likely to undermine the country's growth performance in 2011 as well.

East Africa

22. East Africa sustained the same level of robust growth as in 2009 thanks to the impressive growth performance of such countries as Ethiopia, Rwanda, Uganda and the United Republic of Tanzania. These countries recorded notable expansion in their industrial services sectors, especially the telecommunications subsector and construction. Additional growth factors in the fastest growing economies in the subregion included increased agricultural output (Ethiopia), rising mining output (United Republic of Tanzania) and continued robust investment in donor-funded infrastructure development (Ethiopia and United Republic of Tanzania). Elsewhere in the subregion, growth recovery also gathered momentum in 2010, as in Kenya and Mauritius. The political stalemate continued to adversely affect economic activity in Madagascar, with its GDP declining for the second consecutive year.

North Africa

23. Most North African countries recovered strongly in 2010. GDP growth rebounded markedly in the Libyan Arab Jamahiriya and Mauritania, thanks to increased Government spending and robust activity in sectors such as agriculture, construction and mining in the latter. The Egyptian economy has kept its growth momentum in recent years, as the positive demand spill-over effects of expansionary fiscal policy continued to unfold. Similarly, economic growth accelerated in the Sudan, partly reflecting robust growth in its services sector. GDP growth also picked up in Tunisia with rising industrial output and investment, although the rebound was limited by the modest recovery in its main trade partners, the European Union countries. Morocco's economic growth, although still relatively robust, tapered off, as agricultural production fell after the bumper 2008/09 harvest.

Southern Africa

24. Overall, Southern Africa enjoyed strong growth over the first three quarters of 2010, thanks both to the football World Cup dividends (South Africa) and to robust exports and increased activities in the mining and manufacturing sectors. However, this growth momentum lost some strength during the fourth quarter of 2010, as private consumption weakened further. In 2010, Malawi, Mozambique and Zambia

maintained growth rates of 6 per cent or more, owing to rising mining output in all three countries and bumper harvests in Mozambique and Zambia. Economic activity fully recovered in Botswana and Namibia, where GDP growth rates exceeded or reached pre-crisis levels, thanks mainly to global demand for minerals. Zimbabwe also maintained its recovery momentum. Its growth benefited from a number of factors, including the improved macroeconomic environment, increased industrial capacity and manufacturing output, and tourism.

Central Africa

25. On average, growth rates were modest in Central Africa with a GDP growth rate of 3.7 per cent in 2010 up from 2.5 per cent in 2009. All the Central African countries, except Congo, expanded by less than 5 per cent in 2010, owing mainly to a lack of export diversification, continued fragility in the political and security situation in the Central African Republic and declining oil production in Equatorial Guinea, Gabon and Cameroon, despite the continued strong expansion of their non-oil sector and increased mining activity. Oil output in these countries declined because of falling production capacity in some of the existing oil fields.

Africa's recovery largely jobless

26. Anecdotal evidence and parsimonious up-to-date data on unemployment suggest that job growth and creation was disappointing overall on the continent in 2010, especially in light of the strong output growth recovery. This perpetuates an essential feature of the recent growth spell across Africa. In addition to education quality, the narrow-based economic structure of the African countries has contributed to the high levels of unemployment.

27. Job creation remains limited in countries where much of the economic upturn is driven by capital-intensive extractive sectors with few forward and backward linkages with the rest of the economy. The narrow growth base, rapid population growth and labour market imperfections imply that Africa's growth rates have consistently fallen behind the growth rate needed to create adequate employment and reduce poverty.

28. Job creation also remains limited in some countries owing to the rather modest recovery, with the pace of economic growth far lower than that required to make a significant dent in unemployment. South Africa is a case in point, where thousands of the jobs lost when its economy dipped into recession in 2009 were not recovered in 2010 because of the modest speed of growth.

29. The unemployment rate did decline in a few African countries, such as Egypt and Mauritius, but only moderately owing to the limited strength of the growth recovery and the nature of the sectors that supported it. Unemployment among young people in Africa has remained at the high rate of about 18 per cent for the past decade and young people continue to face severe hurdles in gaining decent employment. This particularly grave unemployment situation among young people is a cause of concern. The recent wave of political instability in North Africa illustrates the severity of the situation.

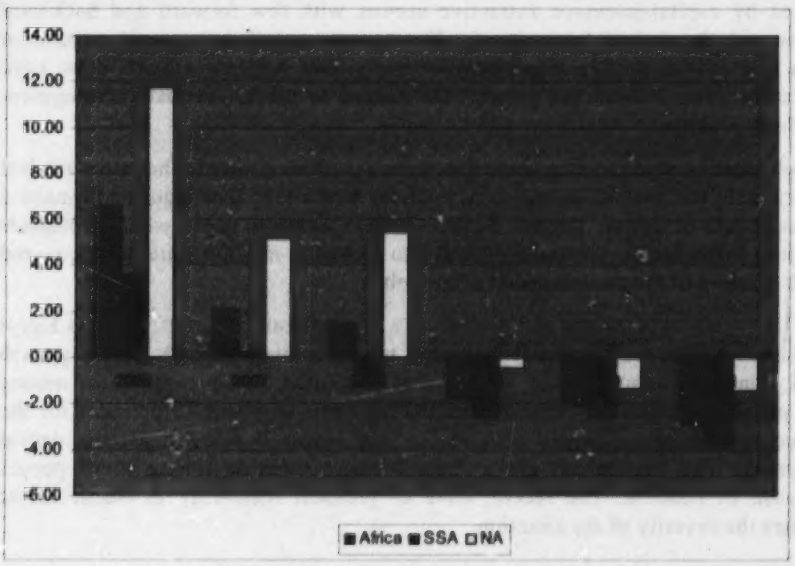
IV. Macroeconomic imbalances driven largely by commodity shocks

Slight deterioration in current account deficits

30. On average, the current account deficit widened slightly in Africa in 2010, from 1.7 per cent of GDP in 2009 to 2.1 per cent in 2010 (see figure III). Current account deficits widened moderately in oil-importing countries owing partly to robust imports growth fuelled by bold Government-led investment programmes, rising private demand and increasing oil and energy prices. As recovery took hold in major trading partners, however, the export earnings of this group of countries rebounded, although at a much slower pace than that of imports. Overall, oil-importing countries emerging from conflict (Burundi, the Democratic Republic of the Congo and Liberia) and those belonging to the Southern African Customs Union (SACU) posted the largest current account deficits.

31. The key factors behind this include increased imports of capital goods and food coupled with limited export capacity in post-conflict countries, and large deficits and severe reductions in transfers in SACU countries owing to lower payments from this customs union. The average for oil-importing countries conceals the shrinking current account deficits of some mineral-producing countries such as Burkina Faso, Mali and the United Republic of Tanzania. These countries benefited from improved terms of trade thanks in part to the high price of gold, one of their main exports.

Figure III
Trends in current accounts, 2008-2010
(Per cent)



Source: ECA calculations based on ECA and IMF databases, November 2010.
Abbreviations: SSA = Sub-Saharan Africa; NA = North Africa.

32. Aside from gold-producing countries, countries that witnessed improvements in their current account balances were mostly oil-exporting countries. The external position of this group of countries improved in 2010, thanks to rising oil demand and prices. Besides increased export earnings, rising inflows of current transfers associated with IMF disbursements also helped current account balances to shift into surplus in 2010 in some countries.

33. The recovery of private inflows, especially of FDI, to some of the most advanced African economies, partly driven by interest and growth differentials between these countries and the developed countries, has led to nominal currency appreciations in varying magnitudes. Such an appreciation combined with relatively high inflation rates compared with those of their trading partners led to a slight real exchange rate appreciation in such countries as Egypt, Nigeria and South Africa in 2010.

Generally subdued inflation across the continent

34. Africa's inflation decreased from 8.3 per cent in 2009 to 7.2 per cent in 2010 and is expected to decline further to 6.4 per cent in 2011. This trend reflects the increased supply of agricultural products in some countries, the strength of some currencies, excess capacities, and competitive pressures across the continent. Consumer prices declined in many countries, mostly in East and Southern Africa (e.g. Uganda and Zambia), partly owing to a significant moderation of food prices before the last quarter of 2010. Good weather conditions in these countries contributed to good harvests and increased food supply.

35. Inflation also fell in such countries as Ghana, where the stability of the domestic currency, the Ghanaian Cedi, more than offset the inflationary pressures associated with higher Government expenditure and wage increases. Elsewhere, intense competition in the telecommunications sector led to a drastic reduction in the price of services in such countries as Gabon, while excess capacities in the productive sectors halted consumer price increases in South Africa.

36. While inflationary pressures abated in the majority of African countries, price escalations were observed in a few countries, including Mozambique and Sierra Leone. In general, inflationary trends in 2010 varied significantly across countries owing to different and sometimes country-specific factors. These factors included, among other things, increased domestic demand in the Congo, the Libyan Arab Jamahiriya and Nigeria for instance, robust public spending in Algeria, the lagged effects of currency depreciation of late 2009, introduction of the goods and services tax in Sierra Leone, and exchange rate depreciation in Mozambique and the Sudan.

37. Food prices in Africa remained stable and even declined in some cases before the last quarter of 2010. This contrasts with the situation that prevailed in the international market where food prices, especially the prices of wheat and rice, generally increased owing to higher demand and supply shocks. Floods in Australia, Thailand and Viet Nam caused delays and reductions in the quantity and quality of their harvests. Higher agricultural production kept prices stable in most sub-Saharan African countries. Only in North Africa did prices significantly increase, because of its dependence on wheat imports.

Accommodative or neutral monetary policy stance in most economies

38. In view of subdued inflation and the need to stimulate domestic demand and nurture the ongoing recovery, the monetary policy stance continued to be accommodative or neutral in the majority of African countries. For example, the benign inflation outlook provided enough leeway to the South African Reserve Bank to sustain monetary easing with the aim of supporting the recovery.

39. In contrast, monetary tightening was observed in the Democratic Republic of the Congo, Ethiopia and Nigeria. Central banks in the Democratic Republic of the Congo and Ethiopia limited the growth of the money supply as a means of tightening inflation. To reduce inflationary pressures as a result of the strong performance of the real sector and increased Government spending, the Central Bank of Nigeria raised its key policy rates in September 2010 and embarked on open-market operations to control liquidity.

40. One of the challenges of monetary policy, particularly in some of the countries that have expansionary or neutral monetary policy stances, was the weak effect of reduced interest rates on the real sector. Despite relatively low interest rates in many countries, credit to the private sector still stagnated, as commercial banks adopted cautious attitudes amid uncertainty in global economic conditions.

Contribution of continued fiscal loosening to the deterioration of fiscal balances

41. Africa's overall fiscal balance deteriorated slightly in 2010, from a deficit of 5.7 per cent of GDP in 2009 to 5.8 per cent in 2010, owing mainly to sustained increases in public spending. Fiscal spending continued to be robust in the majority of countries, as Governments maintained stimulus-related expenditures to cushion the lagged effects of the global economic and financial crisis and support the ongoing recovery. In addition, relatively strong Government spending reflected new and costly public-sector pay regimes as well as fiscal injections arising from electioneering expenses as almost a dozen elections took place in 2010.

42. The continued loose fiscal stance was also the manifestation of ongoing efforts geared towards bridging infrastructure gaps, an essential pillar of the medium-term development plans formulated and implemented by a number of countries. Such efforts took hold amid a growing consensus over the important role and place of the State in steering African economies onto sustainable development paths, especially by contributing to building and strengthening productive capacities.

43. Despite economic recovery and increased growth rates, most countries continued to face revenue shortfalls of varying magnitude in 2010, as public spending was maintained at relatively high levels. Countries belonging to SACU, especially South Africa, were among those that experienced the most significant revenue shortfalls due to the sharp decline in SACU revenue.

44. Similarly, worsening fiscal balances and concerns over fiscal and debt sustainability prompted some countries to shift the objective of fiscal policy from short-term demand management to medium-term fiscal sustainability. Mauritania and the Sudan limited the widening of their fiscal deficits through a combination of increased Government revenue, achieved by strengthening their customs and tax administration capacities, and a reduction in discretionary spending. Under its 2010/11 budget, which was unveiled in February 2010, South Africa planned to

implement a fiscal consolidation programme that would target a real growth of fiscal spending of 2 to 3 per cent per year.

V. Trends in social development in Africa in 2010

45. Africa's economic rebound and sustained growth are yet to translate into commensurate progress towards social development, including the many indicators laid out in the Millennium Development Goals. This is not to say that Africa has not made any progress. In fact, most African countries have positively progressed at a varying pace towards all Millennium Development Goal targets, with notable reductions in undernourishment, increased primary school enrolment and improvement on some health indicators. However, poverty rates, maternal mortality rates and unemployment rates have remained extremely high.

Unsatisfactory progress towards achieving social development goals in Africa

46. Overall progress towards achieving the Millennium Development Goals remained mixed in most African countries in 2010 and subject to formidable challenges. The most notable lag in social development in Africa was the slow progress towards reducing absolute poverty. Poverty rates remained chronically high and the positive economic growth did not result in meaningful job creation and higher income for the poorest segments of the population. The proportion of employed people living on less than $1.25 a day increased from 58 to 64 per cent between 2008 and 2009.

47. In addition, the global financial crisis resulted in declining output per worker. Some 63.5 per cent of the working population in sub-Saharan Africa is at risk of falling below the extreme poverty line in 2011. Only if African countries are able to translate the relatively strong economic growth, both in total GDP and GDP per capita, into employment creation and benefits for the poorest sectors of society can Africa make significant progress towards reducing absolute poverty.

48. Regarding eradication of extreme hunger, many African countries recorded a decline in malnutrition over the past year. The proportion of the population below the minimum level of dietary energy consumption has fallen from 30 to 24 per cent in Africa, excluding North Africa, where less than 5 per cent of the population is undernourished. This positive trend, however, remains threatened by rising international food prices.

49. Important progress has also been made across the continent regarding education, where the primary school enrolment ratio has increased by 18 per cent between 1999 and 2009. As a noteworthy case, the abolition of primary school fees in Burundi resulted in a threefold increase in primary school enrolment since 1999, reaching 99 per cent in 2009.

50. However, many African countries are confronted with the challenge of improving the quality of education. Completion rates of primary school and the pupil to teacher ratios, both proxies for quality provisions, are inadequate. Despite some improvements, the completion rates are around 60 per cent in most countries and class size has remained very large. The disproportionate focus on primary education compared with the skills developed in higher education needed by the labour market is one of the major drivers of unemployment. This has been

acknowledged by the African Union in resolutions on the Second Decade of Education for Africa (2006-2015), which considers all levels of education as crucial elements of economic and social development.

51. There were also improvements in empowerment of women and gender equality in 2010. Gender parity in primary schools was on track, although it was seriously off track for higher levels of education. One of the key successes in the empowerment of women related to enhanced participation of women in decision-making and more equality in access to education, where progress has been made across countries. Some Southern African Development Community countries and the East African Community made notable progress by achieving 30 per cent or more participation of women in Parliament. Some of the examples that can be cited, based on data compiled by the Inter-Parliamentary Union, include Rwanda (56.3 per cent), Mozambique (39.2 per cent), South Africa (44.5 per cent) and Uganda (31.5 per cent). Rwanda's record level of 56.3 per cent in the lower house surpasses the Scandinavian average of 45 per cent. The Government of Mozambique used a quota system (30 per cent minimum at all levels) to ensure fair representation of women in politics. Gender inequality remained a concern, however, especially in relation to employment and income.

52. Many African countries have shown some progress towards achieving certain health-related Millennium Development Goals. The aggregate under-five mortality rate dropped from 180 to 129 per 1,000 live births between 1998 and 2008. Eritrea, Ethiopia, Liberia and Madagascar have all reduced their under-five mortality rates by 50 per cent or more. However, the highest rates of child mortality in the world continue to be found in sub-Saharan Africa. In 2009, one in eight children died before their fifth birthday. All 31 countries with under-five mortality rates exceeding 100 per 1,000 live births in 2009 were in sub-Saharan Africa. So although the sub-Saharan Africa under-five mortality rates have declined by 28 per cent since 1990, the improvement is insufficient to meet the targets set in the Millennium Development Goals.

53. In terms of maternal health, progress also remains mixed. The latest available data show an overall decline in maternal mortality worldwide. Central and East Africa have shown significant progress, with a 20 and 26.4 per cent reduction in maternal mortality between 1980 and 2008 respectively. Southern Africa, however, has experienced an increase in maternal mortality rates, from 171 deaths per 100,000 live births in 1990 to 381 per 100,000 in 2008. West Africa has also seen an 8.1 per cent increase over the same period. As a whole, sub-Saharan Africa experienced a reduction of only 3.3 per cent in maternal mortality rates since 1980, nowhere near the progress necessary to achieve Millennium Development Goal 5. Three of the six countries that account for 50 per cent of all maternal deaths globally are in Africa, namely the Democratic Republic of the Congo, Ethiopia and Nigeria. Unless Governments put maternal health as a central focus of their health agenda, Africa will continue to have the highest burden of maternal deaths worldwide.

54. Improvements in battling the HIV/AIDS pandemic continue to be significant. In 22 sub-Saharan African countries, HIV incidence fell by over 25 per cent between 2001 and 2009. At the end of 2009, 37 per cent of adults and children eligible for antiretroviral therapy were receiving it, compared with only 2 per cent seven years earlier. AIDS-related deaths decreased by 18 per cent in Southern Africa over the

past year as well. Furthermore, there has been pronounced progress in reducing the incidence and impact of HIV among children under 15, with 32 per cent fewer children newly infected and 26 per cent fewer AIDS-related deaths among children. However, while access to antiretroviral therapy and prevention efforts have improved, the total number of people living with HIV in Africa has remained high at 22.5 million people in 2009.

55. Progress in access to safe drinking water and improved sanitation, which have a direct bearing on health status, has been steady across Africa. In 2008, nine African countries showed a marked improvement in coverage of safe drinking water over coverage levels prevailing in 1990. For example, Mauritania improved water supply coverage from approximately 40 per cent to about 60 per cent between 1990 and 2008. Likewise, Uganda improved coverage from 40 per cent to 80 per cent during the same period. Despite this progress, evidence showed that inequality in access and outcomes exists, based on income quintiles and geographical location. Average access to safe drinking water services was 3.7 times higher for urban households compared with their counterparts in rural areas.

56. In sum, although Africa has made important progress towards some key social development goals, overall progress remains mixed, and countries face many challenges in continuing on the right track. It is of concern that sustained economic growth in many African countries has not translated into significant gains in social development. Nevertheless, high and sustained growth is essential for African countries to enhance efforts at reducing poverty and achieving other key social development goals.

Factors affecting progress towards achieving the Millennium Development Goals and other social development goals

57. The varying rate of progress towards achieving the Millennium Development Goals and other social development goals is influenced by three major factors. First, the pace and character of growth must be addressed. As indicated earlier, in most countries growth rates continue to fall below the levels required for Africa to achieve the Millennium Development Goals. Moreover, growth in Africa remains heavily dependent on the primary commodity sector, which has low employment elasticity. Second and perhaps foremost in some cases, progress towards social development goals requires strong political commitment. Governments must place social development high on their agenda in order to harness economic growth successfully for social progress.

58. Likewise, adequate resource allocation is necessary. This is demonstrated by the progress made in education due to Government commitment to increasing primary school enrolment. Countries which allocate at least 50 per cent of their education budget to primary education have reported the fastest rate of progress. In Mauritania, for example, primary enrolment rates increased from about 38 per cent in 1991 to 81 per cent in 2007 owing in part to an approximate 60 per cent allocation of total educational expenditure to primary education.

59. Third, Africa is a highly unequal continent on many indicators, second only to Latin America. In addition to historically high inequality between rural and urban areas, the continent is characterized by high horizontal inequalities, reflected in the exclusion of many social groups from actively participating in the social, economic and political processes in many countries. High inequality and the fact that growth

is concentrated in enclave sectors reduce the impact of economic growth on social outcomes.

60. Indeed, a critical challenge is reducing inequality in access to social services and thus in development outcomes, including health and education. There is a serious risk of the poor being left behind, since most of the targets are national averages. These inequalities explain a great deal of the region's slow progress in attaining the health Millennium Development Goals, as there is strong evidence to suggest that more egalitarian societies tend to be healthier.

61. The cost incurred in accessing public goods is also an important component in assessing progress towards social development goals. Slow progress towards some of the Millennium Development Goals, most notably health services, demonstrates this phenomenon. Health targets that have seen the least progress have a significant cost to the poor consumer. Donor funding for specific diseases, through vertical funds, seems to have a positive impact on rates of progress. Predictable and adequate funding to tackle, for example, HIV/AIDS, hinges on providing free treatment and has a positive effect on progress towards social development goals. The same phenomenon can be seen in the case of tuberculosis and malaria.

62. To sum up, poverty remains a critical social development factor in Africa. Thus, tackling poverty is essential for achieving social development objectives. One of the strategies to escape poverty is employment. The low employment elasticity of growth implies that recent growth in Africa has been largely jobless. The continent therefore needs to promote broad-based and shared growth to reduce unemployment and poverty and enhance progress towards achieving other social development objectives.

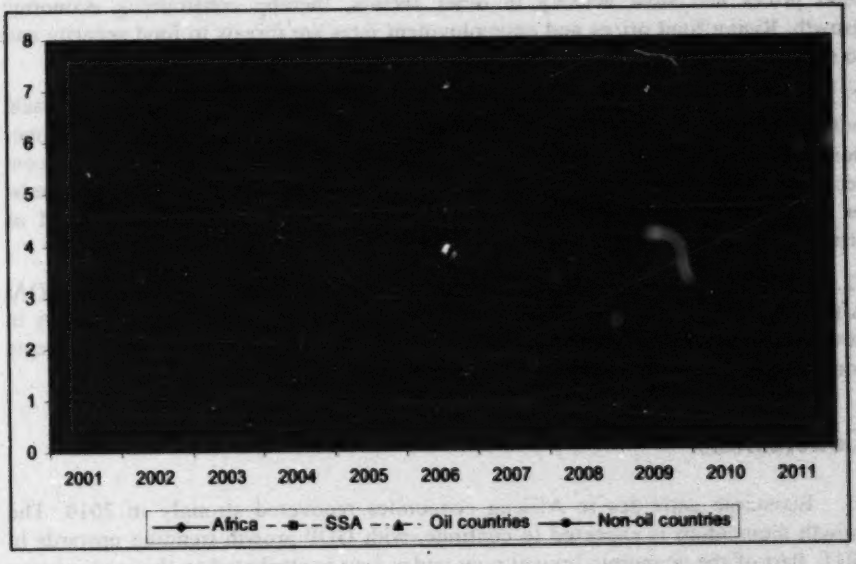
VI. Favourable outlook for 2011, barring exogenous shocks

63. African economies are expected to show continued signs of strengthening and broadening in 2011, with Africa's GDP growth rate accelerating from 4.7 per cent in 2010 to 5 per cent in 2011 (see figure IV). This upturn mirrors the continued strong economic performance in both oil-exporting and oil-importing countries, owing to the benefits of the growth factors discussed in the preceding sections. The GDP growth rate for oil-importing countries is forecast to accelerate to 4.6 per cent in 2011, up from 4.0 per cent in 2010, while that of oil-exporting countries should reach 5.4 per cent, roughly the same as in 2010. Continued investment in infrastructure and in the production of metals and minerals for export is expected to underpin economic growth in some oil-importing countries.

64. Turning to the subregions, West Africa is poised to remain one of the fastest growing on the continent, with GDP expanding by 6.4 per cent in 2011. This strong economic performance owes much to the impressive growth of Nigeria, Ghana and Liberia, expected to be by more than 7 per cent, due to various factors. Growth factors are likely to include the ongoing dynamism of the non-oil sector in Nigeria, the commercial exploitation of oilfields in Ghana, and increasing FDI in the mining sector in Liberia. Growth in West Africa is likely to be adversely affected by the political conflict in Côte d'Ivoire that followed the presidential elections in November 2010 however.

65. East Africa is expected to be another important growth pole in Africa in 2011 (6.4 per cent). The GDP growth rates of Ethiopia and Mozambique are forecast at about 7 per cent, while that of Uganda is expected to be close to 7 per cent. North Africa, Central Africa and Southern Africa will follow, with GDP expected to expand by 5.2 per cent, 4.0 per cent and 3.8 per cent respectively.

Figure IV
Gross domestic product growth in Africa, 2001-2011
(Per cent)



Source: ECA calculations based on ECA and Department of Economic and Social Affairs databases, November 2010.
Abbreviation: SSA = sub-Saharan Africa.

66. While the expected growth rates are markedly higher than those attained over the past two years, they remain slightly lower than those observed prior to the recent global financial and economic crisis. Further, these rates are still below the levels needed to make a significant impact on unemployment and poverty reduction across the continent.

67. The ongoing economic recovery is expected to take place in the context of a moderate inflation outlook. Inflationary pressures are expected to recede or remain flat in the majority of countries, as private demand pressures are likely to be moderate and recourse to central bank overdraft facilities to finance fiscal deficits will be scaled down in a number of countries.

68. Overall, the positive outlook for 2011 is subject to many potential downside risks and uncertainties. One risk to the outlook relates to the pace and duration of growth in Africa's economic partners, in particular emerging economies such as China and India, which affect the demand and price for African exports. At the same time, this leads African countries to once again deepen their specialization in the primary sector. The strength of the recovery in Europe and the United States will

also influence the pace of African export growth, tourism receipts, remittances and ODA, thereby affecting short-term growth prospects.

69. With 17 presidential and parliamentary elections scheduled in 2011, another risk pertains to the possible political disturbances and their ruinous impact on economic activity. Also, political unrest and change in some countries such as Tunisia and Egypt are likely to have notably adverse effects on growth in North Africa in 2011.

70. Adverse weather conditions could also depress agricultural output, increase food prices and slow activity in other sectors, thereby constraining economic growth. Rising food prices and unemployment rates are threats to food security and to social and political stability in Africa as a whole.

71. Africa's medium-term growth prospects are likely to be influenced by fiscal policy stances. In particular, premature and severe fiscal tightening will hamper domestic demand and compromise the chances of consolidating the nascent recovery. Fiscal policy needs to be redesigned to strengthen employment and assist in the transition towards promoting infrastructure and job creation as well as structural transformation for more sustained economic and social development.

72. Finally, another risk relates to the availability of financing, especially ODA. Although ODA flows to Africa recovered somewhat in 2010, the fragile recovery in developed countries and the possible threat of a double-dip recession create considerable uncertainty about the future volume of ODA flows.

VII. Conclusions

73. Economic activities in African economies recovered strongly in 2010. The growth momentum is expected to continue, with GDP growth trending upwards in 2011. Part of the economic revival now under way is attributed to the continuation of supportive fiscal and monetary stances. Relatively robust public spending assisted economic growth, but led to increased fiscal deficits. The external position also weakened, although only slightly.

74. Strong public spending and rising fiscal and current account deficits occurred as African Governments felt the urge to mitigate the economic and social effects of the global crisis. The crisis has clearly highlighted the need for more effective policies for economic transformation, employment generation, food security and poverty reduction on the continent. In addition to short-term countercyclical fiscal and monetary policies, incentives for investment in the non-commodity sectors that promote economic transformation and dynamic job creation must be included.

75. The need for such policies partly explains why interest in development planning and the role of the State in economic and social development has resurged in Africa in recent years. The State needs to play a more strategic development role that involves not only building and strengthening productive capacities through the removal of growth-inhibiting factors, including infrastructure bottlenecks and lack of economic transformation, but also effectively delivering public services to ensure the achievement of social objectives.

76. In order to achieve the Millennium Development Goals and other social development goals, African countries must find ways to translate economic growth

into meaningful job creation and social development. This can be done by implementing several broad actions. These actions should include efforts to mainstream social development objectives in national growth and development strategies with adequate budgetary allocations dedicated to achieving the Millennium Development Goals; promotion of an active private sector, with involvement of civil society and non-governmental organizations in efforts to achieve social development goals; and improvement of national capacity to monitor and report on the Millennium Development Goals and other social development goals, including strengthened national statistical systems. African countries must focus on the social development indicators that show where they are particularly lagging behind. First on this list should be eradication of extreme poverty.